

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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R 291118Z APR 76
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 2544

S E C R E T CAIRO 5790

EXDIS

E.O. 11652: GDS
TAGS: EFIN, EG
SUBJECT: CHASE REPLY TO SADAT'S REQUEST TO DAVID ROCKEFELLER
FOR ASSISTANCE

REF: CAIRO 3172

1. AS DEPT AWARE, DURING DAVID ROCKEFELLER'S VISIT TO CARIO IN LATE MARCH, SADAT ASKED FOR HIS ASSISTANCE IN PROVIDING ADVICE ON FINANCIAL AFFAIRS. SUBSEQUENTLY, SADAT ASKED ROCKEFELLER TO RETURN AND ELABORATED ON HIS EARLIER REQUEST. ON THAT OCCASION HE ASKED THAT ROCKEFELLER TRY TO ORGANIZE A CONSORTIUM OF WESTERN BANKS TO PROVIDE COMMERCIAL LOANS TO EGYPT. SUEZ CANAL REVENUES MIGHT BE HYPOTHECATED AS SECURITIY. ROCKEFELLER CAUTIONED SADAT AGAINST TYING UP THE SUEZ CANAL REVENUES, BUT UNDERTOOK TO STUDY THE PRESIDENT'S OVERALL REQUEST AND TO GIVE HIM A REPLY SOONEST.

2. SENIOR CHASE REPS (RIDGWAY KNIGHT, VP HIGGERSON AND REGIONAL VP RITCHIE) VISITED EGYPT EARLIER THIS WEEK TO PROVIDE ROCKEFELLER'S ANSWER. IN CALL ON AMB PRIOR TO MEETING WITH SADAT, THEY INDICATED THEY WOULD INFORM THE PRESIDENT THAT ROCKEFELLER DOES NOT BELIEVE HE ABLE TO HELP AT THIS TIME. INSTEAD, SOME CONDITIONS PRECEDENT NEED BE ARRANGED BY GOE IF THERE IS TO BE ANY HOPE OF ORGANIZING WESTERN BANK CONSORTIUM. SPECIFICALLY, CHASE REPS WERE TO PROPOSE THE DESIRABILITY OF GOE

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ACCEPTING AN IBRD COORDINATING AND MONITORING GROUP AND

AN IMF ECONOMIC, BUDGETARY, AND FISCAL AND MONETARY REVIEW COMMITTEE, BOTH OF WHICH WOULD ADVISE THE GOE ON FINANCIAL MANAGEMENT. AFTER IMPLEMENTATION BY GOE OF KEY MEASURES SUGGESTED BY IBRD AND IMF, ROCKEFELLER WOULD BE WILLING TO TRY TO ORGANIZE A SHORT TERM DEBT COMMITTEE TO RAISE COMMERCIAL LOAN FROM EUROPEAN AND AMERICAN BANKS.

3. CHASE REPS MET WITH SADAT IN ISMAILIYA YESTERDAY TO PRESENT ABOVE MESSAGE. PREDICTABLY, SADAT TURNED DOWN THE IDEA OF ANY IBRD COORDINATING AND MONITORING GROUP. HE STATED FLATLY -- AND, ACCORDING CHASE REPS, SOMEWHAT TESTILY -- THAT THERE COULD BE NO SUGGESTION OF ANY FOREIGN FINANCIAL ADVISERS (SHADES OF 1880'S). THE EGYPTIAN PEOPLE DID NOT WANT ANY SUCH FOREIGN FINANCIAL ADVISERS, NOR DID HE. SO FAR AS THE IMF IS CONCERNED, GOE IS AGREEABLE IN PRINCIPLE TO PROPOSED IMF PROGRAM, BUT IMF WANTS TO MOVE TOO FAST. HE HAD ALREADY ANNOUNCED AN AUSTERITY PROGRAM, BUT THIS MUST BE CAREFULLY CONCEIVED TO AVOID CREATING POLITICAL PROBLEMS. TALKS WITH THE IMF ARE CONTINUING AND HE HOPES SOMETHING MAY BE WORKED OUT.

4. SADAT NOTED, HOWEVER, THAT A SPECIAL COMMITTEE HAS ALREADY BEEN SET UP BY GOE, UNDER THE PRIMIN, TO MONITOR ALL ECONOMIC AND FINANCIAL MATTERS. IT INCLUDES MINFINANCE, MINECON, MINTRADE AND MINSTATE FOR ADMINISTRATIVE AFFAIRS FUAD SHARIF. ITS SECRETARY IS FORMER MIN OF PLANNING HELMI ABDEL RAHMAN. SADAT STATED THAT FOREIGN EXPERTS, BOTH OFFICIAL (IBRD, IMF, ETC) AND PRIVATE (CHASE, CITIBANK, ETC.) COULD BECOME MEMBERS OF THIS COMMITTEE IF THEY WISHED.

5. COMMENT: IMPLICATION OF SADAT'S COMMENT, ACCORDING CHASE REPS, APPEARED TO BE THAT THIS MIGHT BE WAY FOR INTERNATIONAL AND FOREIGN EXPERTS TO BE ACCEPTABLE. WE HAD NOT PREVIOUSLY KNOWN OF THE EXISTENCE OF SUCH A FORMAL COMMITTEE, ALTHOUGH PRIMIN HAS MET ON A WEEKLY BASIS WITH SHAFEI, ABU ISMAIL, FUAD SHARIF AND OTHERS. TO OUR KNOWLEDGE THERE HAVE BEEN NO PREVIOUS SUGGESTIONS

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THAT INTERNATIONAL OR FOREIGN EXPERTS MIGHT BE FULL MEMBERS OF SUCH A COMMITTEE. THI MAY THEREFORE HAVE BEEN AN OFF THE TOP OF HIS HEAD SADAT IDEA. WE DO NOT WISH TO INDICATE TO GOE THAT CHASE REPS DISCUSSED MATTER WITH US, BUT INTEND DISCREETLY PROBE GOE OFFICIALS RE WHAT PRECISELY THIS SO CALLED COMMITTEE IS SUPPOSED TO DO AND MEMBERSHIP QUALIFICATIONS. THIS COULD BE THE KIND OF "FORMULA" WHICH FAHMY ONCE TOLD US IS NEEDED IF SADAT IS

TO ACCEPT THE IDEA OF FOREIGN FINANCIAL EXPERTS.

6. WHILE DISAPPOINTED WITH ROCKEFELLER REPLY, THE PRESIDENT
SEEMS GENERALLY TO HAVE TAKEN IT PHILOSOPHICALLY AND
IN GOOD SPIRIT. HE STILL HAS GEAT CONFIDENCE
IN ROCKEFELLER AND I AM SURE HAS NOT GIVEN UP HIS
HOPE OF SOMEHOW BRINGING ROCKEFELLER INTO EGYPT'S
FINANCIAL PLANNING FUTURE.
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NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 APR 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: RowellE0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CAIRO05790
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760164-0669
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976049/aaaaagr.f.tel
Line Count: 124
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 76 CAIRO 3172
Review Action: RELEASED, APPROVED
Review Authority: RowellE0
Review Comment: n/a
Review Content Flags:
Review Date: 09 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 JUN 2004 by BoyleJA>; APPROVED <21 OCT 2004 by RowellE0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHASE REPLY TO SADAT'S REQUEST TO DAVID ROCKEFELLER FOR ASSISTANCE
TAGS: EFIN, EG, CHASE MANHATTAN BANK, (SADAT, ANWAR), (ROCKEFELLER, DAVID)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006